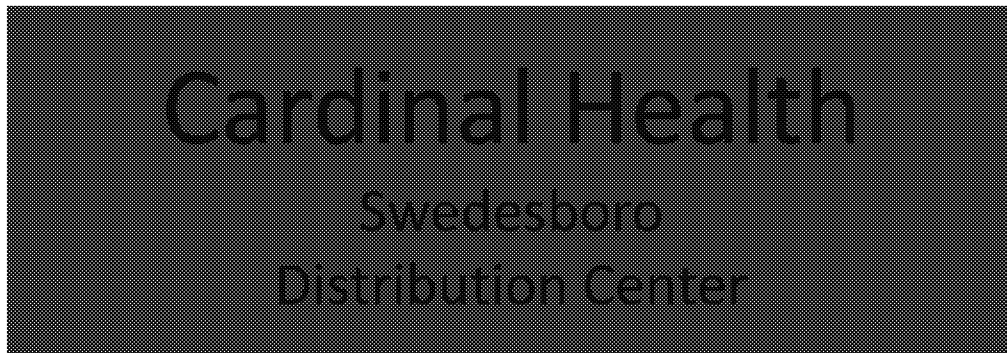


## EXHIBIT 227



DEA Baltimore District Office  
Washington Field Division



## **CardinalHealth**

**Cardinal Health, 1120 Commerce Blvd., Swedesboro, NJ 08085 is one of the largest distributors of pharmaceuticals in the United States. Cardinal Health is registered with the Drug Enforcement Administration (DEA) as a Distributor of schedules II through V controlled substances, DEA Number RW0269654. The firm's corporate office is located at 7000 Cardinal Place, Dublin, Ohio 43017. Cardinal Health was incorporated in the State of Ohio in 1979. Cardinal is a 40 billion dollar healthcare services firm and presently has 27 distribution centers.**

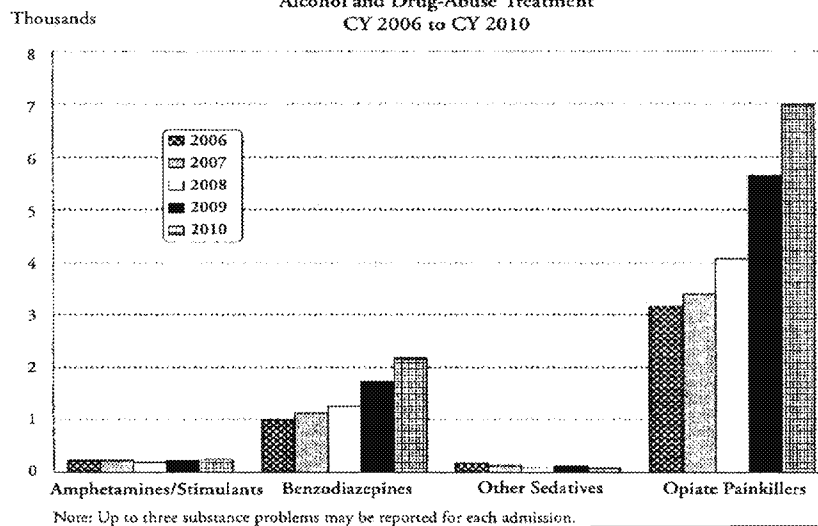
## Civil Settlement, 2008

- Global Settlement: \$ 34,000,000
- For conduct at the Swedesboro Distribution Center: \$ 3,000,000
- Failed to conduct “Due Diligence” and report suspicious orders to DEA.
- Providing rogue Internet pharmacies (NewCare) with millions of units of Hydrocodone
- Suspicious Orders include orders of unusual size, orders deviating substantially from a normal pattern, and orders of unusual frequency



# Maryland's Painkiller EPIDEMIC

Figure 1. Prescription-Drug-Related Admissions to State-Funded  
Alcohol and Drug-Abuse Treatment  
CY 2006 to CY 2010



# The Washington Post

## Bad Medicine

**Sunday, February 27, 2011; 7:13 PM**

**PRESCRIPTION MEDICATIONS** are the fastest growing drugs of abuse in the United States, as a huge federal-state operation in Florida last week dramatically illustrated. Law enforcement broke up dozens of "pill mills" in which doctors allegedly issued phony prescriptions for highly addictive painkillers such as oxycodone, in return for cash - a lot of cash: Agents seized more than \$2.2 million and 70 Vehicles.

"This is especially troubling given that medical practitioners in Maryland purchased 423,000 *oxycodone pills* in the first half of 2010, more than those of all but three states, including Florida, according to Drug Enforcement Administration (DEA) statistics. That is eight pills for every 100 residents, *10 times the rate of California and 53 times the rate of New York.*"

**Drug treatment up 400%  
Nationwide**

Recent Press

DEA Statistics







## Overview of Case Initiation

- DEA Baltimore's investigation of CARDINAL's top 25 Maryland customers (pharmacies) and four Medicine Shoppe franchise pharmacies in the Baltimore area reveal that Cardinal-Swedesboro distributed suspicious orders of oxycodone products, schedule II controlled substances, and schedule IV tranquilizers. Oxycodone is highly addictive and known to be widely abused. Schedule IV tranquilizers are often abused with oxycodone products to potentiate intoxication.
- When Cardinal-Swedesboro curtailed its distribution of hydrocodone pursuant to MOA, Cardinal-Swedesboro increased its distribution of Oxycodone products and other controlled substances to Medicine Shoppe pharmacies, filling suspect controlled substance prescriptions issued by "Pain Management" doctors prescribing excessive quantities of controlled substances. Cardinal Health owns and monitors Medicine Shoppe franchise pharmacies, resulting in a close distributor-pharmacy relationship and had an intimate knowledge of pharmacy operations. Cardinal-Swedesboro distributed controlled substances to its Medicine Shoppe franchise pharmacies that it knew or should have known were supplying CDS to suspect pain management doctors fueling the pharmaceutical abuse epidemic in the State of Maryland. Not only did Cardinal-Swedesboro fill suspicious orders, they failed to report suspicious order to the DEA in violation of 21 C.F.R. Section 1301.74(b); 21 U.S.C. Section 842(a)(5).

## Continuation of Case Initiation

- Since the signing of their MOA with DEA, CARDINAL SWEDESBORO failed to reported any suspicious orders of Oxycodone Products for Maryland Pharmacies to DEA Headquarters between 2008 and 10/1/2011.
  - It was also determined that Cardinal had been supplying large quantities of oxycodone to pharmacies with questionable practices, to include 4 MEDICINE SHOPPE Pharmacies (Medicine Shoppe Franchise owned by CARDINAL HEALTH) and TOP 25 Pharmacies dispensing CARDINAL Oxycodone Products in Maryland. All 25 pharmacies far exceeded the Maryland and National averages for Oxycodone products.

































## DEA Investigation #386

Medicine Shoppe #0386 (Dundalk) DEA Number BM6486698

- DEA AIW executed 6/15/2010 pursuant to MDDC inspections (2008 and 2009) noting multiple violations, several issues with the validity of controlled substance prescriptions that were filled (patient's addresses missing, prescriber address missing, prescriber DEA missing and a photocopy of one CIII-V script) and excessive RX by Pain Management doctors.
- Owner/Pharmacist Elizabeth OKANG filled pain management prescriptions with doctors, despite her suspicions re: legitimacy. Cried during interview when discussing filling CDS RX for excessive/suspect prescriptions. Small pharmacy, far exceeded averages for CDS.
- MS #386 dispensed 1,166,914 units of controlled substances, including 455,473 Schedule II units. This is a substantial amount of controlled substances and represented over one-third of all prescription units filled at MS #386.
- Baltimore County Narcs: multiple arrests associated with fraudulent prescriptions, drug dealing by patients of Pain Management doctors
- Cardinal aware of excessive prescribing by Pain Management Doctors.
- CARDINAL increased Pharmacy threshold at the same time Pharmacy was identified as a risk during franchise negotiations
- Madura PRABHAKAR, MD – Primary Pain Management doctor. Voluntarily surrendered DEA Registration Number on 2/2012, pursuant to MS investigation. Lines outside office. Customer arrests.
  - MS #386 filled 680 controlled substance prescriptions written by Dr. PRABHAKAR and dispensed a total of 42,225 units. In almost every instance, the prescriptions written by Dr. PRABHAKAR were "cocktail" prescriptions for both Oxycodone 30mg and Alprazolam 2 mg.
- A. PIDLAON – retired, suspended in 2003 for overprescribing, admitted writing Rx for patient who overdosed on Oxy.
  - MS #386 filled 394 controlled substance prescriptions written by Dr. PIDLOAN and dispensed a total of 38,040 units. Similar to Dr. PRABHAKAR, Dr. PIDLOAN wrote cocktail prescriptions for many of his patients. These cocktail prescriptions included Oxycodone 30mg or Endocet 10/325mg and Alprazolam 2mg.

## DEA Investigation MS #386

Medicine Shoppe #0386 (Dundalk) DEA Number BM6486698

- W. DANDO— reprimanded by Maryland Board of Physicians on 4/28/10. MS #386 filled many of his cocktail prescriptions which included Oxycodone, Hydrocodone and Alprazolam or short acting and long acting Oxycontin.
- ROSEN-HOFFBERG pain clinic also issued multiple cocktail prescriptions that regularly were filled at MS #386 often less than 30 days after the last prescription
- DEA analyzed scripts. Top 15 patients had a total of 1,254 controlled substances filled and a total of 178,650 units dispensed between January 2009 and May 2011.
- Three of the patients had over 17,000 units of controlled substances dispensed to them during this time period.
- In fact, in the month of November 2009, MS #386 dispensed a total of 955 CDS units prescribed by a PA at the Rosen-Hoffberg pain clinic to one patient.

# Cardinal's Due Diligence Files #386

Medicine Shoppe #0386 DEA Number BM6486698

- Due Diligence File Review
- 3/12/09 Pharmacy survey 3/11/09 DEA Held Order Review Update  
12 bottles of Roxicet 5/325 #100  
4 bottles Endocet 5-325 #500, handwritten "cancelled "; however 3/12/09 filled 12 bottles Roxicet and 4 bottles of Oxycodone  
- No report to DEA
- 3/27/09 e-mail Michael Mone, VP Anti Diversion, Dublin to Chuck Gorman "This customer requires further on-site investigation. The current month to date purchases are double the monthly average and the pending order would add another 80%. This order cannot be released nor threshold changed without the investigation."
- 3/27/09 Chuck Gorman, Senior Consultant, Franchise Operations, Medicine Shoppe International, "the timing is unfortunate, as I'm trying to get this account to buy from us at CAH for ten years... Anything we can do to expedite...Delays will erode confidence of the Owners and lower likelihood they will opt for a long term buying commitment."

Okang advised Investigators- her arguments with Cardinal regarding thresholds suddenly disappeared with no explanation. And her thresholds were increased by CARDINAL.

4/26/09- threshold increase Oxy HCL increased 14,400 to 17,000 per month

4/29/09- threshold increased from 18,000 to 20,000 Oxy HCL per month. QRA decision to increase limits done by Chris Forest Dublin, Ohio

# Cardinal's Due Diligence Files #386

Medicine Shoppe #0386 DEA Number BM6486698

5/19/2009 - CARDINAL Corporate Management asked for second on-site investigation due to exceeding thresholds. Visit 5/19/2009, report 5/21/2009.

- CARDINAL visited MEDICINE SHOPPE #0386 on 3/31/2009. Francine Webb, Anti Diversion-Swedesboro, report 6/1/09 written by Steve Morse, Dublin, Ohio based on case notes from Webb.  
Findings: located near Several Pain Management Centers. "Cash sales a little high at 30%. CDS sales 40%"  
Recommendation: Pharmacy poses no significant risk for Diversion.
- 4/14/11 Cardinal Corporate 3<sup>rd</sup> visit-Steve Morse, Director of Supply Chain Integrity, Dublin, Cassie Olson, PBC-"medium level review".  
Number of RX CDS increased to 50 % of sales. Oxycodone and Methadone are the top drugs of RX CDS. Primary prescribers-Pain Mang Dr. Prabhakar in top 5, and Rosen Hoffberg doctors. DEA has regulatory interest in pharmacy-Pharmacy Medium risk

Pharmacy in higher crime area.

- 1) findings – (a) 50% of Rx filled are for CDS
- (b) primary prescribers = pain management physicians,
- - Dr. Prabhakar: Subsequently surrendered DEA Registration for Cause to DEA and Balt. County Narcs.
- - Braxton: Currently under investigation by DEA and Medical Board (Peer review, etc) complaints from Bon Secours Hospital
- CARDINAL was aware that Store #0386 was under DEA scrutiny / investigation; noted in inspection report as ("regulatory interest")
- CARDINAL classified MEDICINE SHOPPE #0386 as "Medium Risk"
- 2008 to 2010 #0386 purchased 475,800 d/u's of Oxycodone
- Maryland Division of Drug Control Rx analysis performed – BRAXTON, PRABHAKAR, et al 99% & 86% written for controlled substances, CDS cocktails noted



## Potential Violations by Cardinal

Medicine Shoppe #0386(Dundalk) DEA Number BM6486698

### ALLEGED VIOLATIONS

### # OF POTENTIAL VIOLATIONS

21 USC 842(a) (5)

300

Alleged Failure to provide Suspicious Order Reports in violation of 21 CFR 1301.74 (b) which states: the registrant (CARDINAL HEALTH) shall design and operate a system to disclose to the registrant Suspicious Orders of controlled substances. The registrant shall inform [DEA] of suspicious orders.

Violations represent number of suspicious orders filled by CARDINAL after a suspicious increase in Oxycodone sales to Medicine Shoppe # 0386 which occurred shortly after the 2008 MOA.

\* NO SUSPICIOUS ORDERS REPORTED FOR MEDICINE SHOPPE #0386 by CARDINAL to DEA







## DEA Investigation #1388

Medicine Shoppe #1388 ( Arbutus) DEA Number BT4641646

- AIW executed 6/15/2010 as a result of three MDDC inspections in 2008 and 2009 that noted several CSA violations including Schedule II prescription problems (missing original script, one electronically signed, one had invalid DEA #, prescriber on dispensing script is not the one who wrote the script) and a fraudulent CII script.
- During AIW DEA Investigators noted customers who appeared under the influence of narcotics.
- CARDINAL aware of excessive prescribing by Pain Management doctors.
- Owner/Rph Susan EPIE stated she never understood her threshold levels; when she asked QRA rep Francine WEBB about high qty. of Oxycodone Rx, no response given.
- EPIE stated CARDINAL withheld drug orders only when she was behind in payments
- Drs. DANDO & BRAXTON identified as two known frequent writers of CII; both under investigation by State of MD
- MS #1388 filled 1,458 controlled substance prescriptions written by Drs. BRAXTON and DANDO between 2008-2010.
  - The vast majority of Drs. BRAXTON and DANDO prescriptions were “cocktail” prescriptions or prescriptions for more than two opioids. Dr. BRAXTON routinely wrote prescriptions for both Alprazolam 2mg and Methadone 10mg, Endocet 10/325mg and Alprazolam 2mg or Oxycodone 30mg and Methadone 10mg that were filled at MS #1388. Dr. BRAXTON is currently under investigation by the State of Maryland for writing excessive CDS prescriptions.
  - MS #1388 filled 19 cocktail prescriptions written by Dr. DANDO for one patient between March 2009 and June 2010. Each prescription comprised of 180 tablets of Oxycodone 10/325 mg, 90 tablets of Oxycontin 80mg, 220 tablets of Oxycodone 15mg and 270 tablets of Alprazolam .5mg. On 4/28/10, Dr. DANDO was reprimanded by the Maryland State Board of Physicians for failing to meet standards of quality care and failing to keep adequate records with regard to his patients.

## DEA Investigation MS #1388

Medicine Shoppe #1388 ( Arbutus) DEA Number BT4641646

- MS #1388 filled Oxycodone prescriptions from Dr. GREENBERG, who practices in Bethesda, Maryland (over 45 minutes away from Glen Burnie). One of his patients, who had two different addresses, one in Odenton and one in Silver Spring (similarly 45 minutes away from MS #1388), filled 7 prescriptions at MS #1388 between August 26, 2008 and December 12, 2008 for Oxycodone 30mg and Endocet 10/325mg. Each of these prescriptions was filled less than 30 days apart, with three prescriptions filled in a 3 day span. In total, this patient obtained 1,200 units of controlled substances.
- From 1/1/08 to 12/31/10, MS #1388 purchased approx 1.1M dosage units of Oxycodone, far exceeding other pharmacies in same zip code. During that same time period, MS #1388 dispensed a total of 1,069,300 units of Oxycodone units. In 2009 and 2010 MS #1388 dispensed almost twice as much Oxycodone compared to the next highest pharmacy in the same zip code.
- CARDINAL'S SOM activity for #1388: Increase Limits: 1; Release Orders: 6, Reported to DEA: 0
- EPIE sold Store #1388 to Rite Aid for \$400,000 buyout arranged by MED SHOPPE INTL.

# Cardinal Due Diligence #1388

Medicine Shoppe #1388 ( Arbutus) DEA Number BT4641646

## Cardinal Due Diligence: Medicine Shoppe #1388

- 
- 
- Anti-Diversion Customer Profile reports:
- Oxycodone HCL (no strength indicated) overage
- \*Date of incident 4/26/2009/ Date of report 4/27/2009
- \*monthly limit = 34,000
- \*total accrual = 34,900
- \*order released – no reason given
- 
- Oxycodone HCL (no strength indicated) over the threshold
- \*Date of incident 6/29/2009/ Date of report 6/30/2009
- \*monthly limit = 34,000
- \*total accrual = 36,900
- \*order released – Note: Not unreasonable end of month order. No threshold change
- \*Historical Purchase date also showed an overage in 4/2009 = 36,900 which contradicted Anti-Diversion report dated 4/27/2009
- 
- Oxycodone HCL (no strength indicated) over the threshold
- \*Date of incident 7/28/2009/ Date of report 7/29/2009
- \*monthly limit = 34,000
- \*total accrual = 34,200
- \*order released – Note: Not unreasonable based on previous supply issue. No threshold change. Site visit completed
- \*Historical Purchase date also showed an overage in 6/2009 = 37,400 which contradicted Anti-Diversion report dated 6/30/2009
-

# Cardinal Due Diligence #1388

Medicine Shoppe #1388 ( Arbutus) DEA Number BT4641646

- Oxycodone HCL (no strength indicated) overage
- \*Date of incident 12/29/2009/ Date of report 12/30/2009
- \*monthly limit = 35,300 \*must have increased threshold by 1,300 between 8/1/09 – 12/30/09
- \*total accrual = 36,900
- \*order released – Note: Not unreasonable end of month order. No threshold change
- \*Historical Purchase date also showed an overage in 7/2009 = 34,600 which contradicted Anti-Diversion report dated 7/29/2009
  
- Oxycodone HCL (no strength indicated) overage
- \*Date of incident 1/31/2010/ Date of report 2/01/2010
- \*monthly limit = 37,000 \*increase from 12/09 35,300 to 37,000
- \*total accrual = 39,300
- \*order released – Note: Not unreasonable end of month order; threshold not adjusted but date requested
- \*Historical Purchase date also showed an overage in 12/2009 = 39,200 which contradicted Anti-Diversion report dated 12/30/2009 (36,900)
- Increase of Oxycodone threshold for Oxycodone HCL (no strength listed) date of report 4/23/2010
- Small adjustment based on history ; 37,000 = threshold limit ; Increase SOM limits approved
  
- **QRA visit on 4/16/2009**
- Investigator: Francine Webb; Based on Endocet purchases
- Findings:
- \*There are several practitioners and specialists in the immediate area, including (specialty) hospitals and pain management centers
- \*A check of SOM revealed the following events for pharmacy
- 1) 10/30/2008 Endocet 10/650
- 2) 3/30/2009 Oxycodone HCL 30mg
- \*5% cash sales
- \*20% CDS sales
- \*Controlled medications most prescribed: "everything"
- \*Any projected increase of specific CDS: "no"
- Anti-Diversion Customer Profiles dated 6/30/2009, 7/29/2009, 12/30/2009, 2/1/2010, 4/23/2010, & 4/27/2010 show % of pharmacy's CDS purchases to be 27- 41%
- Anti-Diversion Customer Profiles dated 6/30/2009, 7/29/2009, 12/30/2009, 2/1/2010, 4/23/2010, & 4/27/2010 show % of pharmacy's CDS sales to be above 20% (e.g., 25-29%)







## Potential Violations by Cardinal

Medicine Shoppe #1388 (Arbutus) DEA Number BT4641646

### ALLEGED VIOLATIONS

### # OF POTENTIAL VIOLATIONS

21 USC 842 (a) (5)

486

Alleged Failure to provide Suspicious Order Reports in violation of 21 CFR 1301.74 (b) which states: the registrant (CARDINAL HEALTH) shall design and operate a system to disclose to the registrant Suspicious Orders of controlled substances. The registrant shall inform [DEA] of suspicious orders.

Violations represent number of suspicious orders filled by CARDINAL after a suspicious increase in Oxycodone sales to Medicine Shoppe #1388 which occurred shortly after the 2008 MOA.

\* NO SUSPICIOUS ORDERS REPORTED FOR MEDICINE SHOPPE #1388 by CARDINAL to DEA





## DEA Investigation MS #658

Medicine Shoppe #0658 (Glen Burnie) DEA Number BT9190682

- AIW executed 6/15/2010 pursuant to MDDC violations/report from 3 previous inspections. CFR Violations, fraudulent prescriptions found, excessive prescribers noted.
- Owner/Rph Rizwan SHAH admitted to high volume of pain management patients; not comfortable with this segment of business trying to corner CDS market, also stated that they come to him for good prices.
- Cardinal aware of excessive prescribing by Pain Management doctors
- Drs. ROSENBERG, CAPLAN & VIDAVER named as frequent writers
- CARDINAL'S SOM activity for #1902: Increase Limits: 4; Release Orders: 4; Reported to DEA: 0
- SHAH stated in 03/2011 that CII business has decreased 30-40% due to changes in his filling practices
- From 01/01/2008 to 12/31/2010, Store #0658 purchased 781,820 DU's from CARDINAL. Average Oxycodone product purchase per year in Maryland – 74,000 DU's.
- Between 2008-2010 MS #658 had 9 patients who filled 929 controlled substance prescriptions and obtained a total of 92,328 units. Each of these nine patients had over 10,000 units of controlled substances dispensed to himself or herself during this time period.
- Scores of patients who paid for prescriptions in cash, often times paying over \$1,000 per Oxycontin prescription. Pharmacy received approximately \$490K in cash payments for CDS prescriptions.

## DEA Investigation MS #658

Medicine Shoppe #0658 (Glen Burnie) DEA Number BT9190682

- MS #658 filled 1,175 controlled substance prescriptions written by Dr. Lawrence Vidaver and dispensed 109,033 units between 2008-2010. The vast majority of Dr. Vidaver's prescriptions were "cocktail" prescriptions or prescriptions for more than two opioids. Dr. Vidaver routinely wrote prescriptions for both Oxycontin 20mg, Oxycontin 40 or 80 mg, and Oxycodone 30 or 15mg.
  - For example, Dr. Vidaver prescribed and MS #658 filled 19 cocktail prescriptions for one patient between December 2008 and June 2010. Each prescription comprised of more than one Oxycontin prescription (20mg and 80mg), Oxycodone 30 or 15mg and occasionally Diazepam or Valium. Similarly, for another patient, Dr. Vidaver prescribed and MS #658 filled 19 identical cocktail prescription which consisted of 90 tablets of Endocet 10/325mg, 180 tablets of Methadone 10mg and 90 tablets of Clonazepam 1mg. Each of these patient's prescriptions was paid for in cash.
- Various patients were doctor shopping and had prescriptions filled at MS #658. For example, one patient filled CDS prescriptions written by a physician in Rockville and a physician at the Rosen-Hoffberg pain clinic in Towson; another patient filled Oxycodone prescriptions written by Dr. Vidaver and various physicians at St. Agnes Hospital; and one patient filled Oxycodone prescriptions from 3 different prescribers, one at Kernan Hospital, one in Glen Burnie and one in Fulton, Maryland
- MS #658 filled CDS prescriptions written by physicians from outside of the Baltimore area including physicians in the Washington, D.C. area (Capitol Heights and Rockville), Virginia and Pennsylvania.

# Cardinal Due Diligence #658

Medicine Shoppe #0658 (Glen Burnie) DEA Number BT9190682

- VIOLATIONS /INCIDENTS NOTED FROM DUE DILIGENCE FILES:
- 11/12/2008: #0658 visited by CH rep Catherine Olson; documented in email dated 11/17/2008 by Sherry Morse, Cardinal
- Store acknowledged business from area pain management clinics
- 2% Rx cash; 5% for CDS
- No internet sales
- 11/24/2008: Email from Sherry Morse to GMB/QRA Anti-Diversion – Response to Retail Pharmacy Questionnaire”
- Owner stated that #0658 stated that it services Hospice, four (4) Pain Mgt. Clinics in general vicinity
- Doctors/Clinics named: Norman B. ROSEN
- Medstar Health, 8109 Ritchie Hwy, Pasadena
- Spine Center, Glen Burnie, MD
- Dr. Michael Daly (BD4007983)
- 2/12/2009: Email from Sherry Morse to GMB-QRA re: “Response for SCS-P Customer Visit” re: 1/30/2009 visit by Rich Keener
- Stated NO to “Are pain management clinics located in general vicinity?” [Contradicts reply from 11/24/2008]
- Did not reply/know % of cash prescriptions; % of CDS Rx filled
- 7/1/2009: #0658 visited by CH Rep Catherine Olson; documented in email dated 7/13/2009 by Sherry Morse to GMB/QRA Site visit re: “Response for HSCS/QRA Document of Customer Visit”
- Observations: “ Store is RED FLAGGED in Win Watcher. Per Rizwan , the pain clinic doctors around him know he had stock of Oxy. They started sending more patients to them. Pain clinics require you continue to go to same pharmacy to avoid abuses, so Rizwan is keeping these customers”
- Rated priority for QRA Review: Medium

# Cardinal Due Diligence #658

Medicine Shoppe #0658 (Glen Burnie) DEA Number BT9190682

- SOM History of Store #0658:
- 
- 8/30/2009: Anti-Diversion Customer Profile reviewed by Steve Morse
- Increased, due to decrease in 07/ 2009 (13,920) after 06/ 2009 (24,700)
- "Not unreasonable; decreased quantity last month; end of month; threshold not increased" ; 244,120 d/u (12 month YTD)
- 
- 3/31/2010: Reviewed by Christopher Forst
- "Released, not unreasonable; end of month order; 267,650 d/u (12 months YTD)
- 
- 4/23/2010: Reviewed by Christopher Forst
- " Increased SOM limits; small adjustment ; no recent change
- 26,500 Threshold; 34% of CDS purchased
- 272,570 d/u Oxycodone (12 months YTD)
- 
- 9/21/2010: QRA Site Visit by Timothy Dunham
- FINDINGS:
- History Review: 4 previous threshold events – Oxycodone
- 2 previous threshold events – Hydrocodone
- 20-25% Rx filled are CDS
- 125 Rx average/day



## Potential Violations by Cardinal

Medicine Shoppe #0658 (Glen Burnie) (DEA Number BT9190682)

### ALLEGED VIOLATIONS

### # OF POTENTIAL VIOLATIONS

21 USC 842 (a) (5)

433

Alleged Failure to provide Suspicious Order Reports in violation of 21 CFR 1301.74 (b) which states: the registrant (CARDINAL HEALTH) shall design and operate a system to disclose to the registrant Suspicious Orders of controlled substances. The registrant shall inform [DEA] of suspicious orders.

Violations represent number of suspicious orders filled by CARDINAL after a suspicious increase in Oxycodone sales to Medicine Shoppe #0658 which occurred shortly after 2008 MOA was executed.

\* NO SUSPICIOUS ORDERS REPORTED FOR MEDICINE SHOPPE #0658 by CARDINAL to DEA







## DEA Investigation MS #1902

Medicine Shoppe #1902 (Brooklyn Park) DEA Number FT0545458

- AIW executed 6/15/2010 pursuant to MDDC inspections; previous violations noted
- Owner/Pharmacist Rizwan Shah
- 1) Expressed frustration at high quantity of Oxycodone he fills for patients of some pain management physicians.
- 2) Described the following physicians as frequent writers of excessive quantities of Oxycodone
  - \*Steven Kurylas, MD, William Dando, MD and Lawrence Vidaver, MD who is currently under investigation by the Maryland Board of Physicians
- Between June 2008 and June 2010 six patients filled 403 controlled substance prescriptions and obtained a total of 78,695 units. Each patient obtained over 10,000 units of controlled substances.
- Numerous patients paid cash for prescriptions, including thousands for individual scripts. Pharmacy received approximately \$240K in cash for CDS scripts.

## DEA Investigation MS #1902

Medicine Shoppe #1902 (Brooklyn Park) DEA Number FT0545458

- 3) Wanted to quit pain management business for other types of medical care (e.g., Long Term Care Facilities, Nursing Homes) – he stated he felt this would free him from reliance on his many pain management customers for income. Shah said he offers low CDS prices to attract customers and compete with chains.
- DEA interview with SHAH on 3/9/11. Since DEA warrant, “I have cut down my CDS business by 30%”. His cut off patients were turned away by neighboring pharmacies.
- CARDINAL aware of excessive writing by Pain Management doctors.
- From 1/1/2008 to 12/31/2010 pharmacy ordered 602,400 total dosage units of Oxycodone from CARDINAL Wheeling/Swedesboro

CARDINAL'S SOM activity: 3 orders increased, 6 released, 0 reported to DEA

## Cardinal Due Diligence MS #1902

Medicine Shoppe #1902 (Brooklyn Park) DEA Number FT0545458

- 5/28/2008: Retail Independent Pharmacy Self-Questionnaire; previous owner Harlan HOTHAM: CDS sales are 4% of total;
- 7/16/2008: Memo from Francine WEBB, CH, re: her visit on 7/8/08 to #1902 w/ Kelly WINNING, CAH/PBC:
- CDS sales are 8% of total filled;
- Pain Mgt. clinics within 10 miles – Four (4) doctors listed
- “No significant risk for diversion”
- 7/23/2008: Oxycodone threshold raised to 20,000, per Steve MORSE; Most prescribed CDS: Oxycodone 5/325 & Roxicet
- Projected increase: Oxycodone 15,30mg, Oxycontin
- 6/28/2009: Retail Independent Pharmacy Self-Questionnaire – Rizwan SHAH, Rph/Owner:
- #1902 services two (2) Long Term care facilities
- Pain Mgt. clinics noted

## Cardinal Due Diligence MS #1902

Medicine Shoppe #1902 (Brooklyn Park) DEA Number FT0545458

- Store #1902 Cardinal SOM History:
- 6/23/2008: Oxycodone – 8,335 avg./month; 12,000 Limit; 12,500 Released. Overage of 500. (2<sup>nd</sup> Event noted) ORDER RELEASED
- 7/14/2008: Oxycodone – 10,840; 12,000 Limit; ORDER INCREASED to 14,000 and RELEASED (3<sup>rd</sup> Event noted)
- 7/18/200\*: Oxycodone – INCREASED to 16,000; ORDER RELEASED
- 7/31/2008: Alprazolam – Old limit 6,000; INCREASED to 7,000
- Above average +86.57%; ORDER RELEASED
- 2/21/2009: Alprazolam – Old limit 7,000; INCREASE to 7,500
- ORDER RELEASED
- 9/7/2010: Background/Prep QRA SITE VISIT
- Sales 7/2009 to 8/2010: \$98,000 to \$136,000 monthly noted

-

## Cardinal Due Diligence MS #1902

Medicine Shoppe #1902 (Brooklyn Park) DEA Number FT0545454

- 9/21/2010: QRA SITE VISIT: Timothy DUNHAM; was related to recent CDS threshold events.
- NOTES OF INTEREST:
- Oxycodone: 4 Threshold events (2008: 5/23, 6/23, 7/14, 7/18)
- Hydrocodone: 2 Threshold events (7/31/08, 2/21/09)
- Alprazolam: Up 9,000
- Hydrocodone: Up 8,000
- 10-15% of Rx are CDS; 110 Rx filled /daily
- Pain Mgt. Clinics serviced
- Top Five (5) Prescribers: BRAXTON, ROSEN, HOFFBERG, DANDO, LaCOUNT
- Was advised by SHAH that DEA had executed warrant
- DUNHAM ..."educated pharmacist re: SOM process and continued communication necessary with CAH/PBC if future purchase patterns change..."
- [Note: Previously, no two-way dialogue b/t CH and MSI franchisees existed in matters re: thresholds, suspicious orders]



## Potential Violations by Cardinal

Medicine Shoppe #1902 (Brooklyn Park) (DEA Number FT0545458)

### ALLEGED VIOLATIONS

### # OF POTENTIAL VIOLATIONS

21 USC 842 (a) (5)

307

Failure to provide Suspicious Order Reports in violation of 21 CFR 1301.74 (b) which states: the registrant (CARDINAL HEALTH) shall design and operate a system to disclose to the registrant Suspicious Orders of controlled substances. The registrant shall inform [DEA] of suspicious orders.

Violations represent number of suspicious orders filled by CARDINAL after a suspicious increase in Oxycodone sales to Medicine Shoppe #1902 which occurred shortly after 2008 MOA executed.

\* NO SUSPICIOUS ORDERS REPORTED FOR MEDICINE SHOPPE #1902 by CARDINAL to DEA

## TOP Cardinal Doctors Cardinal, St. Charles, MO

- Dr. RAKESH MATHUR, Fallston, MD
- Immediate Summary Suspension for CDS violations- 2/7/12. Pain Management Doctor. Complaint from a national health care plan. Illegal pharmacy in office. Surrendered license to DEA.
- Maryland Board of Physicians found among other things that "Dr. Mathur prescribes excessive and medically unjustified quantities of CDS, and often multiple types of CDS, in the absence of document treatment rationale."
- Ordered 320,000 Oxycodone dosage units from July 15, 2010 to December 13, 2011 (17 months)
- Board of Physicians also obtained a letter from another CDS supplier on July 26, 2010 who had "pended" his account due to large orders of Oxycodone. That supplier reported Dr. Mathur's orders to the DEA as suspicious.

4/9/12 Complaint to the Maryland Board of Physicians from a mother of a patient of Dr. Mathur who died from an overdose of Oxycodone on December 14, 2011. Coroner's report indicates her daughter died of a "fatal concentration of oxycodone in her blood in addition to non-lethal concentrations of meprobamate, alprazolam, diazepam, citalopram, diphenhydramine and bupropion. The alprazolam, diazepam, citalopram and diphenhydramine are significant because they may interact with oxycodone and with each other to greatly enhance each drug's effects on the central nervous system."

- at time of her death she had filled prescriptions on December 5, 2011 from Dr. Mathur for Oxycodone, Alprazolam, Carisoprodol, Meloxicam and Gabapentin.
  - daughter saw Dr. Mathur monthly and sold Oxycodone and other CDS prescriptions in a "revolving door" fashion
  - Dr. Mathur obtained minimal information to substantiate his diagnosis and failed to provide a treatment plan
  - Dr. Mathur's medical records did not reveal any substantive medical exams or comprehensive evaluation of medical condition
- Dr. SRIRAM H BALASUBRAMANIAN, Belair, MD
  - Ordered 227,500 Oxycodone dosage units from July, 28, 2010 to December 12, 2011 (17 months)
  - Under investigation by Maryland Board of Physicians



## Cardinal's Top 25

- What is happening at other Maryland pharmacies in addition to the 4 MS pharmacies?













## From Cardinal Lakeland OTSC No Due Diligence files for Chain Stores

11. On July 28, 2009, DEA conducted a Compliance Review at CARDINAL-Peabody. When investigators asked for due diligence files from a number of chain pharmacies, CARDINAL could not produce them. Consequently, the investigators spoke to Michael Mone, QRA Vice President, Anti-Diversion & Supply Chain Services, Dublin, Ohio, via a teleconference call. Mr. Mone stated that the QRA program was created to address: 1) sales to illicit internet customers; 2) internal diversion; and 3) inappropriately dispensing. Mr. MONE stated that CARDINAL HEALTH communicates with the loss prevention people of chain pharmacies when an order is approaching or exceeds set thresholds and maintain e-mails of what transpires. SC Arpaio emphasized to Mr. MONE that due diligence investigations must be performed on all customers, chain pharmacies included, when it appears that suspicious high volume orders are requested of controlled substances; and questionnaires should also be sent to these chains. Mr. MONE stated that QRA is unable to look at chain pharmacy systems in order to identify problem areas when there is not an order of interest or their threshold is not exceeded. Mr. MONE mentioned, if a customer is not responsive to an inquiry, then he can follow up with them and address the issue. SC Arpaio repeated that chain store due diligence reviews must not be treated any differently than independent retail pharmacy customers. Mr. MONE replied that the system can be changed. Mr. MONE also mentioned that questionnaires cannot determine whether a doctor is properly prescribing.































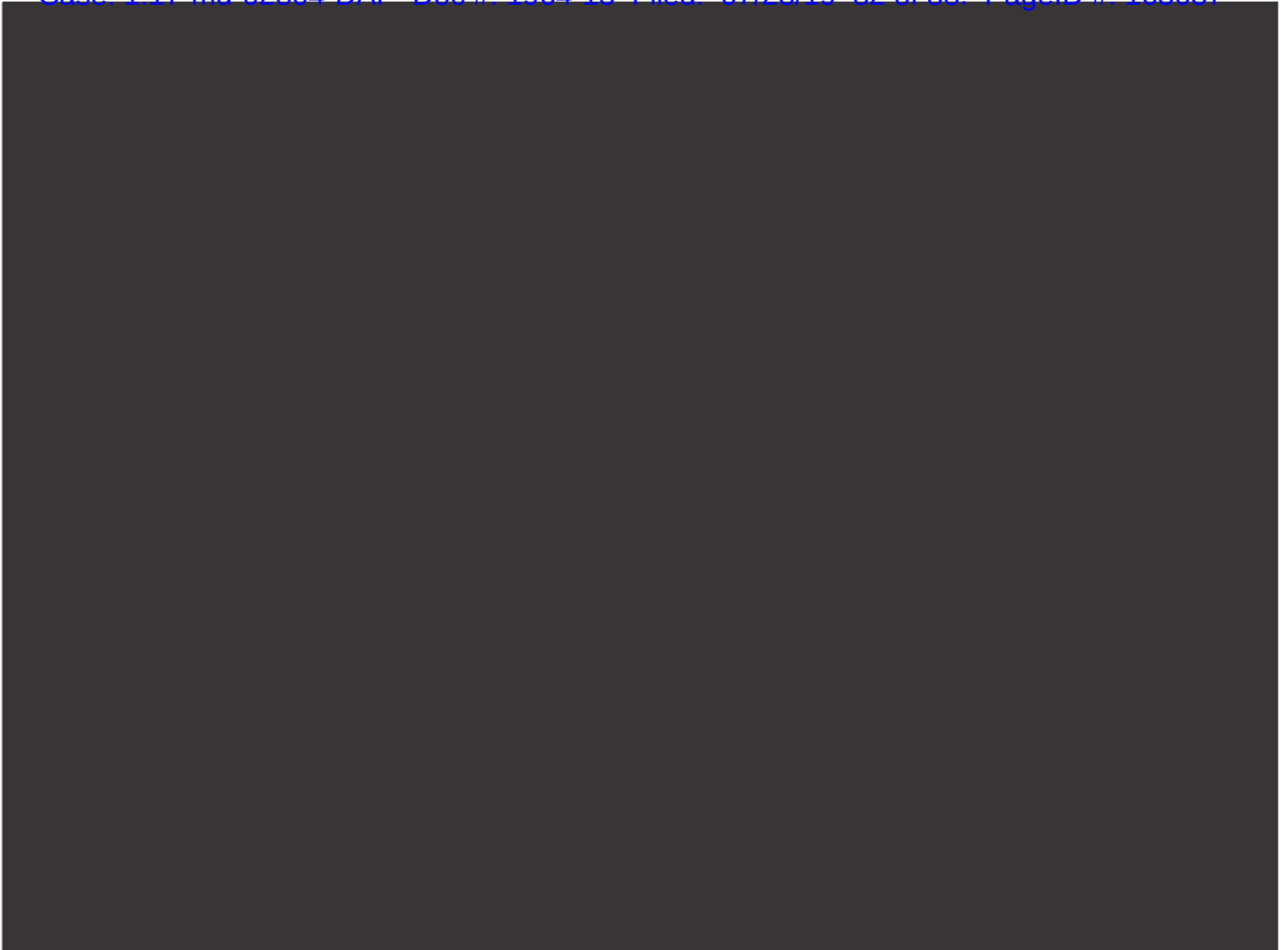


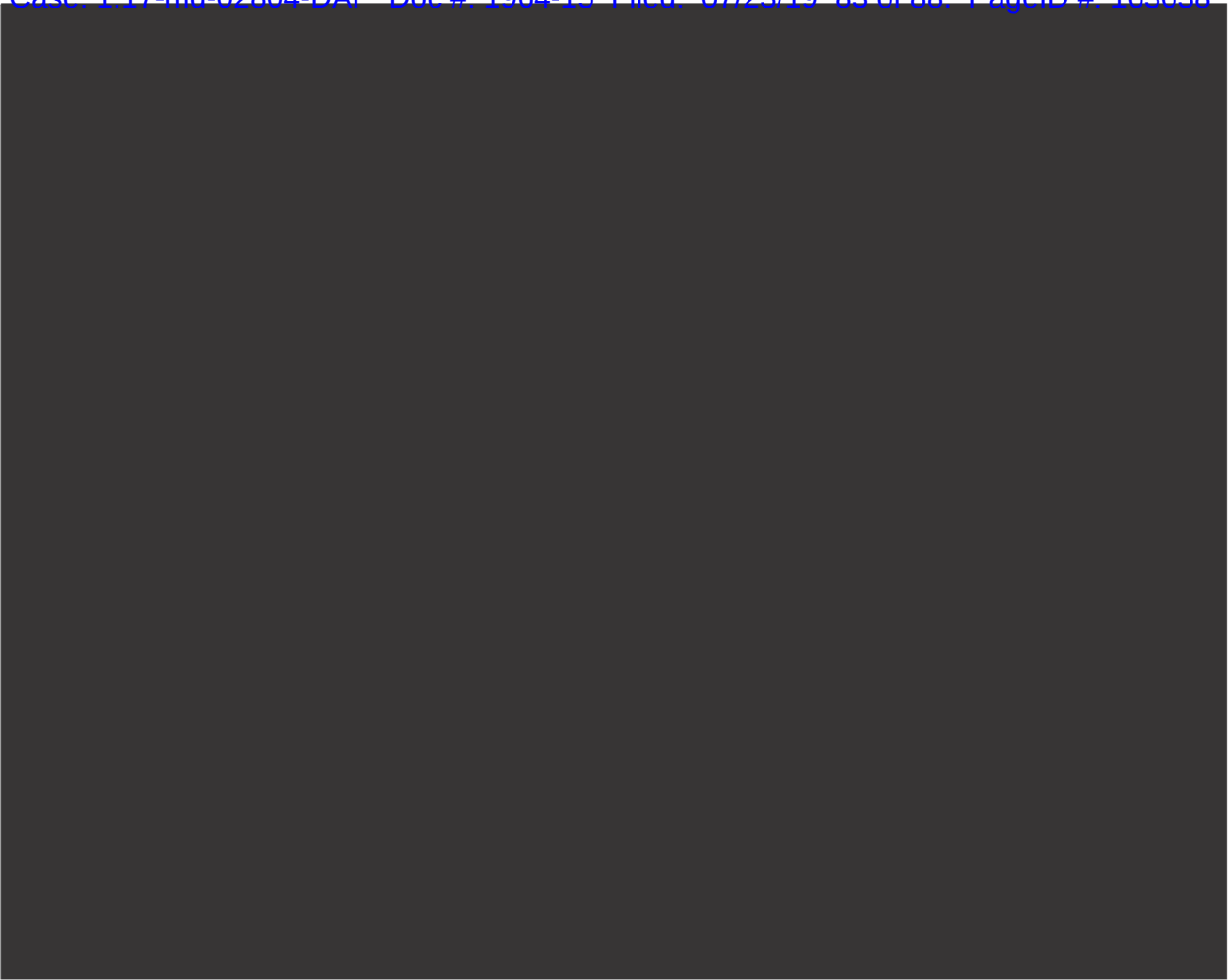




















## Next Steps in Investigation

- Obtain Due Diligence files from Cardinal's Top 25 pharmacies (16 CVS pharmacies among Top 25) and 2 Pain Management Doctors
- Interview Cardinal personnel to determine why so much Oxycodone was distributed (thresholds)
- Subpoena CVS and obtain loss prevention/due diligence files and prescription data from 16 CVS pharmacies
- Determine the number of violations (failures to report suspicious orders) for these pharmacies